

Part 1: BRITISH COLUMBIA ECONOMIC REVIEW AND OUTLOOK

Overview¹

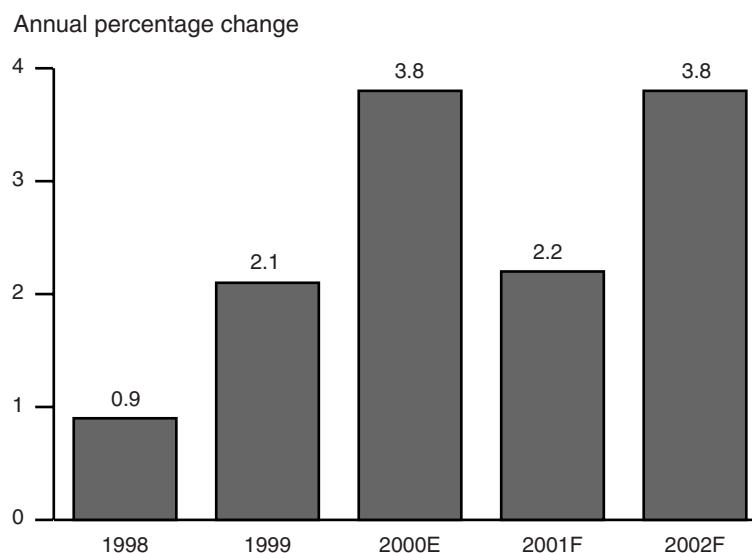
BC's consumer and housing sectors are growing steadily . . .

. . . while conditions abroad have been weaker than anticipated

British Columbia's economic performance has been mixed so far this year as external conditions have weakened. While the consumer and housing sectors are growing steadily, export and labour markets are not performing as well as expected in the March 15 Budget.

Growth abroad has been weaker than anticipated, and prices for many of British Columbia's exports are lower than forecast. However, long-term interest rates and the exchange rate have been lower than forecast as well.

Chart 1.1 British Columbia Real GDP Growth



Source: Statistics Canada and Ministry of Finance

British Columbia's economy is forecast to grow 2.2 per cent in 2001 . . .

. . . and 3.8 per cent in 2002

The weaker external environment has resulted in a lower economic forecast for British Columbia for 2001. This will be partially offset by the effects of the personal income tax cuts that were announced on June 6, 2001, and others announced in this update. The lower personal income taxes should provide some stimulus to consumer demand for the rest of the year. Overall, growth of 2.2 per cent is forecast for 2001.

Growth of 3.8 per cent is forecast for 2002, up sharply from the 2.9 per cent in the March 15 Budget. Business and personal tax reductions are expected to lead to an improved business climate and boost investment. Combined with a recovery in the United States, this is expected to place British Columbia's economic growth rate above the national average.

¹ The British Columbia Economic Review and Outlook uses data available as of July 18, 2001.

Uncertainty surrounding the timing and strength of the United States recovery and the outcome of the Canada-United States softwood lumber countervail hearing pose the main risks to the forecast. Upside potential arises from the tax cuts and an improved investment climate, which could lead to higher than forecast economic growth.

A survey of the Minister of Finance's Economic Forecast Council was undertaken in June, prior to the business tax cuts announced in the July 30 Update. The survey indicates a consensus forecast of 2.1 per cent this year and 3.2 per cent in 2002 (see Topic Box on page 16).

The External Environment

Total exports of goods and services make up over 40 per cent of British Columbia's gross domestic product (GDP). About 70 per cent of these are destined for international markets, mainly to the United States, while 30 per cent are consumed in the rest of Canada.

The United States is leading a global economic slowdown, which is being felt in British Columbia. So far the slowdown is more pronounced and rapid than had been expected in the March 15 Budget.

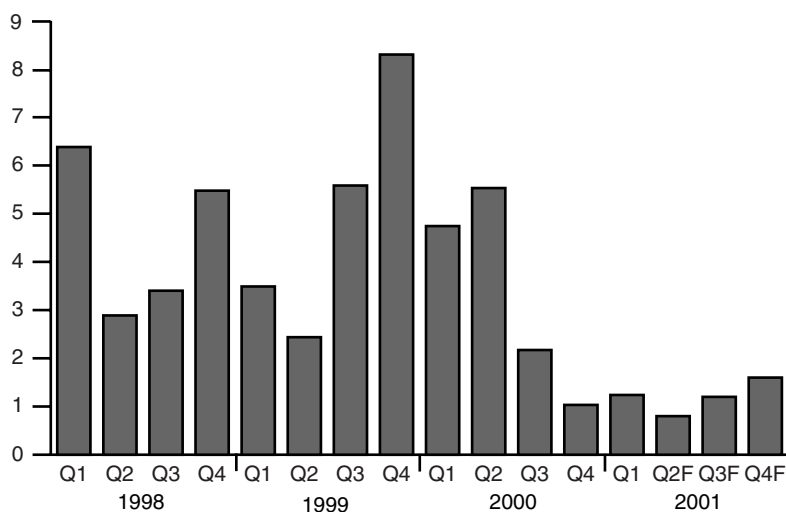
The United States' economy, which had been operating at or above capacity during the late nineties, slowed rapidly in the last two quarters of 2000. Growth on an annualized basis fell from 5.6 per cent in the second quarter of 2000 to 1.2 per cent in the first quarter of 2001. The slowdown has been concentrated in the manufacturing sector while the consumer sector has remained a source of relative strength.

The United States slowdown will extend at least into the third quarter of 2001

A United States slowdown had been anticipated in the March 15 Budget but had been expected to last only two quarters. It now appears that it will extend at least into

Chart 1.2 U.S. Quarterly Real GDP Growth

Quarterly percentage change
at annual rates



Source: Statistics Canada and Ministry of Finance

the third quarter of 2001. The Federal Reserve Board has reacted swiftly by easing monetary conditions which will hopefully allow the United States to avoid any significant further deterioration.

Outlook: The United States economy is now expected to grow 1.5 per cent this year, compared to 1.8 per cent in the March 15 Budget.

The slowdown has spilled over to Asia

The slowdown has spilled over to Asia, which has seen demand for many of its exports fall as a result of declining production in the United States and Europe.

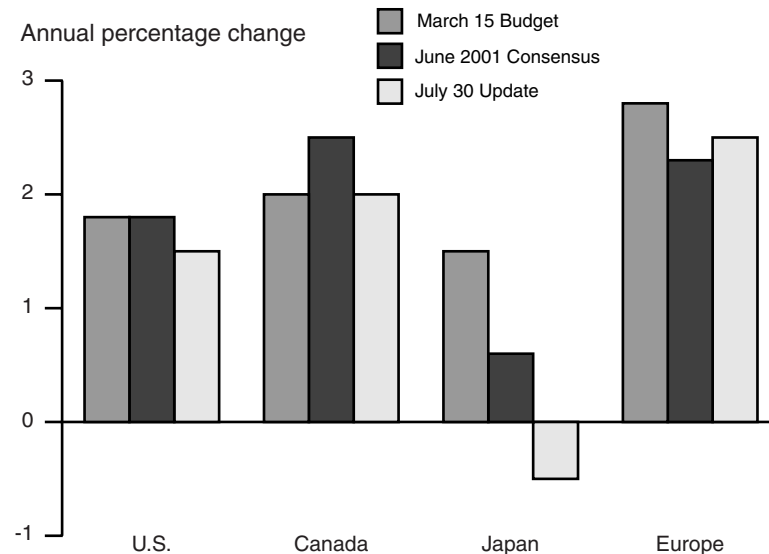
Japan continues to wrestle with structural problems in the business sector and persistent price deflation, which have resulted in a decade of economic weakness. In the past, the Japanese government has responded with a program of expansionary government spending but this has proven ineffective, and left Japan with very high debt levels and little fiscal room to manoeuvre. The recent election of a reform-minded prime minister provides some hope for future improvement, but little change is expected in the near term.

The Japanese economy is now expected to decline 0.5 per cent in 2001.

Europe is also feeling the effects of the United States slowdown. Quarterly growth at an annual rate was 3.6 per cent in the first quarter of 2000 but has fallen to 2.0 per cent in the first quarter of 2001. The European Central bank remains committed to its inflation target and as yet has supplied little stimulus to member economies.

Recent economic troubles in Argentina may spill over to other Latin American countries but this is not expected to significantly impact the British Columbia economy.

Chart 1.3 International Growth Forecasts, 2001



Source: Consensus Economics Inc. and Ministry of Finance

The impact of the U.S. slowdown will be felt across Canada. Trade with the United States has become increasingly important to all provinces over the last decade, reflecting the trade-liberalization initiatives of the last few years, as well as stronger economic growth. Ontario, in particular, relies heavily on trade in autos and parts with the U.S. British Columbia's trade is more diversified, and so the province is somewhat less exposed to a U.S. slowdown.

Outlook: Canada's economy is expected to slow in the second half of 2001, but on average will do better than the U.S. with growth of 2.0 per cent for the year. This is unchanged from the March 15 budget. For 2002, Canada's economic performance matches that of the U.S. at 2.5 per cent.

Table 1.1 Key Economic Assumptions

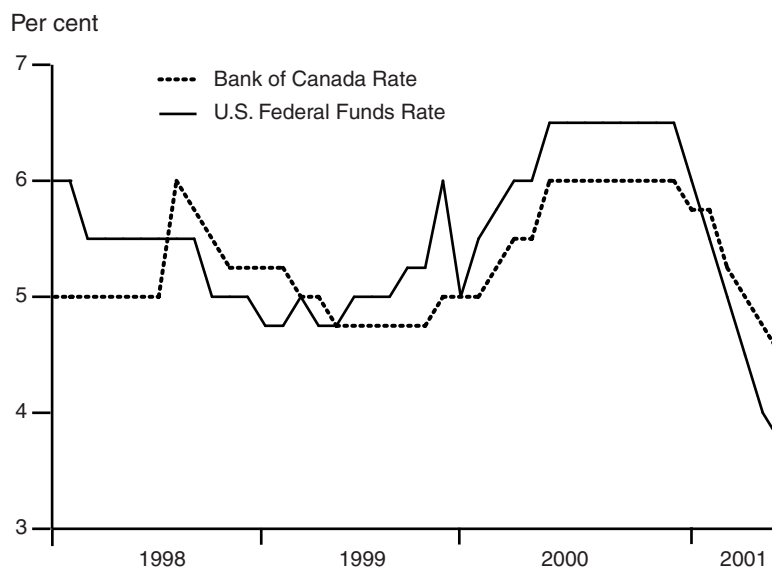
| | 2001 | | 2002 | |
|--|--|-------------------|--------------------|-------------------|
| | March 15 Budget | July 30 Update | March 15 Budget | July 30 Update |
| | Percentage change unless otherwise noted | | | |
| Canada real GDP..... | 2.0 | 2.0 | 2.5 | 2.5 |
| U.S. real GDP..... | 1.8 | 1.5 | 2.5 | 2.5 |
| Japan real GDP..... | 1.5 | -0.5 | 2.0 | 1.0 |
| Europe real GDP..... | 2.8 | 2.5 | 2.7 | 2.7 |
| Short term interest rates ¹ | 4.8% | 4.4% | 5.0% | 4.5% |
| Long term interest rates ² | 5.3% | 5.8% | 5.3% | 6.1% |
| U.S. cents/Cdn. \$..... | 66.4 | 65.5 | 68.0 | 67.1 |

¹ Canadian 3-month treasury bills.
² Canadian Government bonds over 10 years.

Financial Markets and Commodity Prices

The Federal Reserve Board in the United States has reacted to the economic slowdown by reducing its federal funds rate 2.75 percentage points since January 1 of this year. The Bank of Canada has followed suit but has cut its bank rate less rapidly, a total of 1.50 percentage points from December levels. The July 30 Update assumes at least a further quarter-point cut in the third quarter by the Federal Reserve Board.

Chart 1.4 Central Bank Rates



Source: Bank of Canada and U.S. Federal Reserve

The forecast assumes a modest appreciation of the Canadian dollar

The Canadian dollar started 2001 on a downward trend compared to the United States dollar. The dollar flirted with an all-time low in April but has since risen. Given the interest rate spread between Canada and the United States, the forecast assumes a modest appreciation of the Canadian dollar over the next several years.

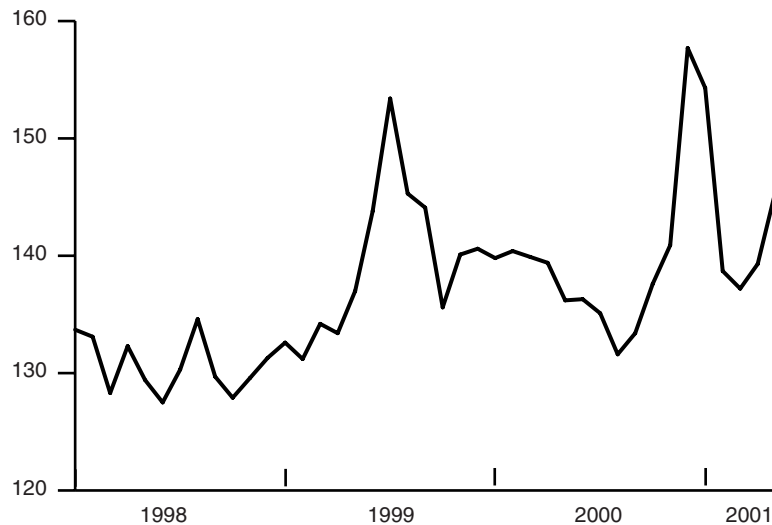
Lumber prices began the year below \$US 200 but rose to over \$US 360 in May, before levelling off to around \$US 270 by mid-July. The end of the Softwood Lumber Agreement on April 1 has created uncertainty in the industry, and British Columbia producers held back on shipments to the United States in order to avoid potential retroactive tariffs. The forecast assumes a modest increase in the average price of lumber to \$US 260 this year, with a slight decline expected in 2002.

Pulp prices have been falling since the beginning of the year, primarily reflecting reduced North American demand for paper. The forecast assumes pulp prices will decline in 2001 and 2002.

Electricity and natural gas prices have fallen from their winter peaks but remain high in historical terms. The market for both these energy sources is heavily influenced by conditions in the United States, and the recent Federal Energy Regulatory Commission decision to impose price caps on electricity sold in the western United States market will likely constrain future electricity prices. The forecast assumes price declines in both natural gas and electricity markets.

Chart 1.5 British Columbia Export Commodity Prices

Export commodity price index, Cdn. \$ basis,
monthly: 1992 = 100



Source: Ministry of Finance

The Ministry of Finance Export Commodity Price Index is a weighted average of the prices of 17 commodity groups. As seen in Chart 1.5, British Columbia's export prices have fallen from their December peak, but are still up 2.8 per cent to May of 2001 from the previous year.

The British Columbia Economy

Tax cuts should provide additional stimulus to the economy

The provincial economy has shown mixed results in the face of weaker external conditions. While manufacturing has declined, consumer spending shows steady growth and housing starts continue to strengthen from low levels. The new tax cuts should provide some additional stimulus in the second half of 2001.

Real GDP is expected to increase by 2.2 per cent in 2001, down slightly from the 2.4 per cent projected in the March 15 Budget. Further reductions in personal income taxes and cuts to business taxes are forecast to boost the provincial economy in 2002, with growth strengthening to 3.8 per cent.²

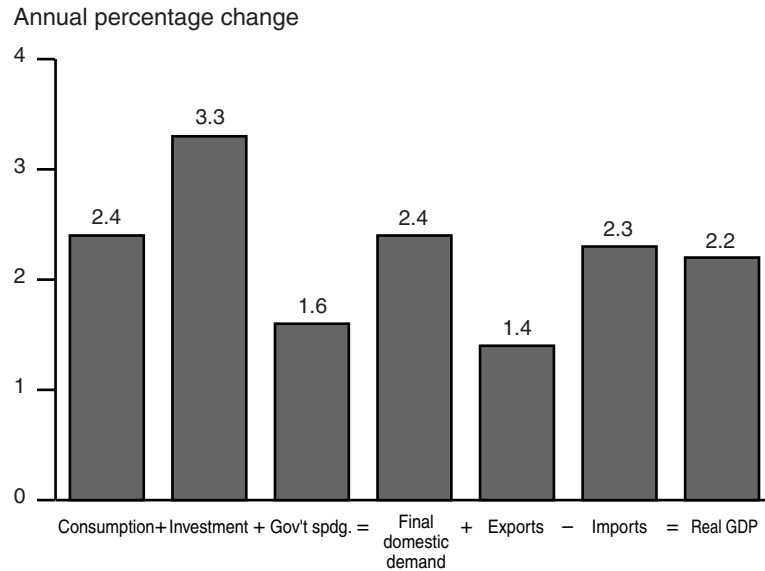
Nominal GDP is forecast to increase by 3.6 per cent this year. In 2002, declining prices for energy and other exported commodities are expected to produce an overall 2.1 per cent decline in export prices, resulting in nominal GDP growth of 3.4 per cent.

Table 1.2 Key Economic Indicators

| | 2001 | | 2002 | |
|-----------------------------------|--|-------------------|--------------------|-------------------|
| | March 15 Budget | July 30 Update | March 15 Budget | July 30 Update |
| | Percentage change unless otherwise noted | | | |
| Real GDP | 2.4 | 2.2 | 2.9 | 3.8 |
| Nominal GDP | 4.0 | 3.6 | 3.4 | 3.4 |
| Employment | 2.2 | 1.5 | 3.1 | 3.0 |
| Unemployment Rate | 7.4% | 7.2% | 7.2% | 7.2% |
| Net In-migration (persons) | 29,600 | 26,900 | 45,600 | 50,700 |
| Personal Income | 3.4 | 3.2 | 3.8 | 3.9 |
| Corporate Profits (pre-tax) | 4.0 | 5.0 | -2.5 | 0.0 |
| Housing Starts (units) | 15,300 | 15,600 | 17,200 | 16,660 |
| Retail Sales | 3.5 | 4.0 | 3.8 | 4.2 |
| Inflation Rate | 1.7% | 2.0% | 1.6% | 1.6% |

² Before incorporating the effects of the personal and business tax reductions, the British Columbia economy was forecast to grow 1.8 per cent in 2001 and 2.7 per cent in 2002.

Chart 1.6 British Columbia Real GDP Growth Forecast, 2001

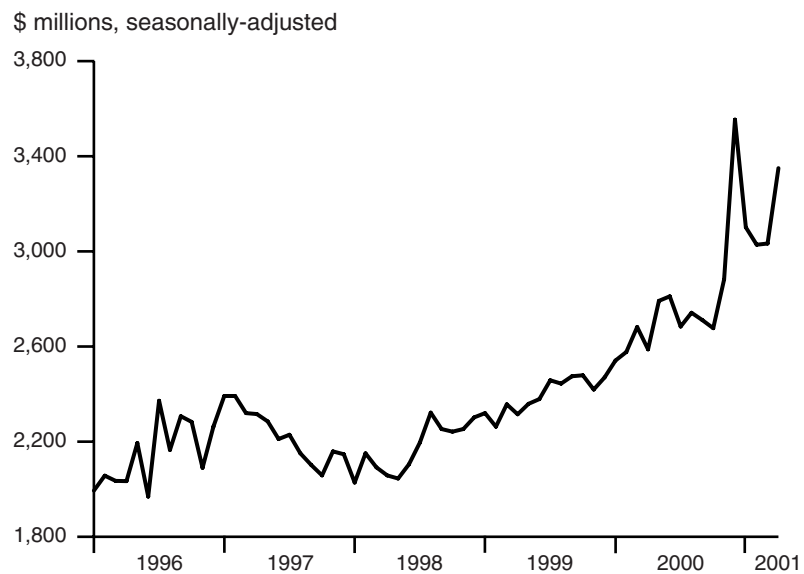


Source: Ministry of Finance

External Trade

The external environment and especially the United States economy have a very large impact on the British Columbia economy. Two-thirds of British Columbia exports to other countries go to the United States. Japan also has a significant impact, receiving about 15 per cent of British Columbia exports.

Chart 1.7 Value of British Columbia International Merchandise Exports



Source: BC STATS and Statistics Canada

Through April, the value of international merchandise exports was up 20.4 per cent from 2000. The rise in exports was due to increased energy prices in the United States. Excluding energy products, the value of exports to all countries showed a 4.5 per cent decline.

Exports from British Columbia are expected to increase 1.4 per cent in 2001

Outlook: Real (price adjusted) exports from British Columbia to all destinations are expected to increase by 1.4 per cent in 2001, lower than the 3.0 per cent March forecast, due to slower growth in the United States and Japan. Export growth is forecast to increase to 4.2 per cent in 2002 as the world economy returns to trend growth.

This year, export prices are expected to increase 3.0 per cent, unchanged from March. In 2002, export prices are forecast to fall 2.1 per cent as prices for pulp, newsprint, lumber, natural gas and electricity decline.

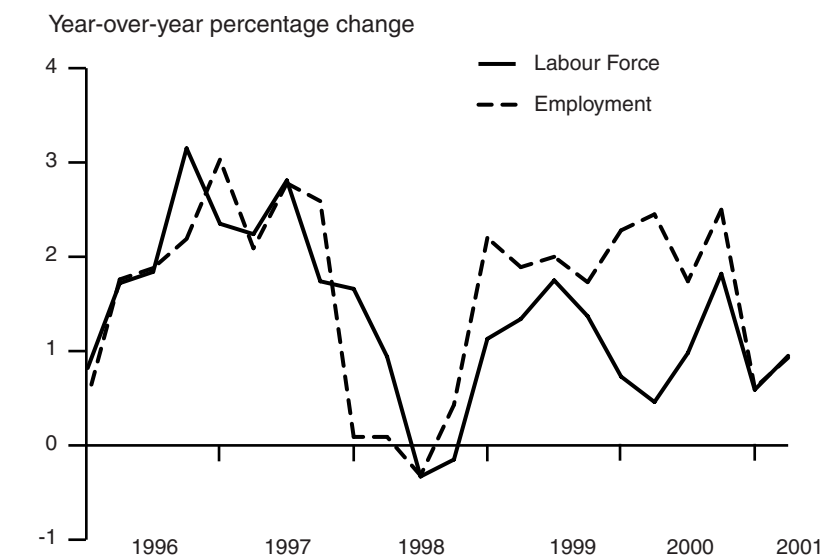
Real imports into the province are expected to increase by 2.3 per cent in 2001 and by 3.5 per cent in 2002. The growth of imports primarily reflects growing demand for consumer products and investment goods, which are generally manufactured outside the province.

Labour Market

So far in 2001, labour markets have been soft, with seasonally-adjusted June employment remaining below December 2000 levels. On a year-to-date basis, employment is up 0.8 per cent from the first half of 2000 with growth strongest in the Northeast development region and weakest in the Vancouver Island/Coast development region. With higher growth in part-time employment and less overtime being worked, average hours worked in the first six months of 2001 have decreased 1.9 per cent over last year. Nevertheless, the average weekly wage rate is up 2.5 per cent through May, and first quarter total labour income is 4.9 per cent higher than in 2000.

The unemployment rate for the first six months of 2001 was unchanged from 2000, as slow labour force growth has matched employment.

Chart 1.8 Employment and the Labour Force



Source: Statistics Canada

Employment is expected to grow 1.5 per cent in 2001

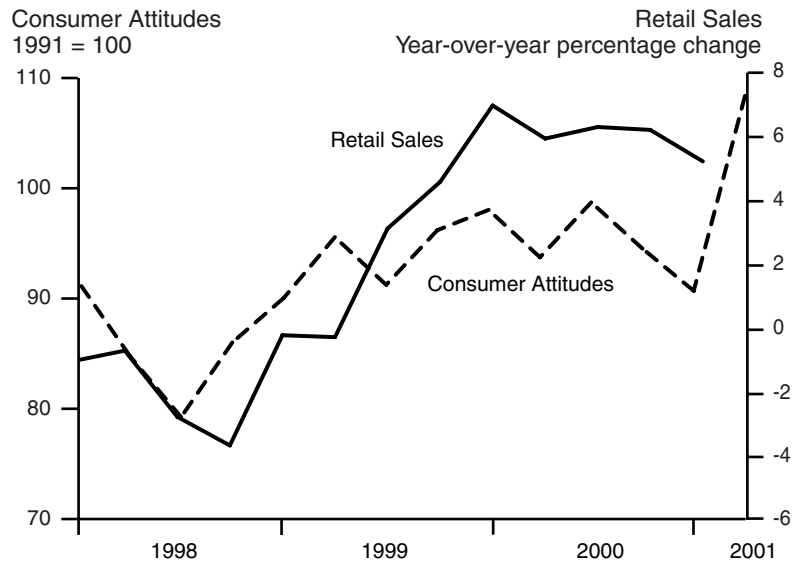
Outlook: Improved job growth through year-end is expected to result in employment growth of 1.5 per cent this year, down from the March forecast of 2.2 per cent. However, the unemployment rate forecast of 7.2 per cent for 2001 is lower than the March forecast, reflecting continued slow growth of the labour force. Next year 3.0 per cent employment growth is forecast, while the unemployment rate is expected to remain at 7.2 per cent.

Consumer Spending

Consumer attitudes are up for the first half of 2001

Consumer spending has been a bright spot throughout North America so far in 2001. In British Columbia, seasonally-adjusted retail sales were up 5.6 per cent through April. Durable goods, which are one of the first areas where consumers tighten spending, were up 3.8 per cent from 2000 levels. The Conference Board of Canada index of consumer attitudes for British Columbia is up for the first half of 2001, and up a substantial 20 per cent in the second quarter of 2001 compared to the first quarter.

Chart 1.9 British Columbia Consumer Sector



Source: Statistics Canada and Conference Board of Canada.

Retail sales growth of 4.0 per cent is forecast

Outlook: On retail sales growth of 4.0 per cent, consumer spending is now forecast to increase 2.4 per cent in 2001, up from 1.8 per cent in the March forecast. The recent provincial personal income tax cut is expected to raise personal disposable income, translating into stronger consumer confidence and higher spending. Next year, consumer expenditures are expected to grow 2.9 per cent.

Business Activity and Investment

Manufacturing shipments from the province are down 6.9 per cent so far this year. The United States slowdown is having a noticeable effect on manufacturers due to the sizable portion of British Columbia goods dependent on United States markets.

Business bankruptcies are up 8.1 per cent through May, and a series of disappointing profit announcements have dampened expectations. Statistics Canada's second quarter business conditions survey showed that British Columbia manufacturers were slightly less optimistic about the prospects for the next quarter than they have been recently.

Business investment appears to be picking up

Despite these indicators, business investment appears to be picking up. Non-residential building permits during the January to May period have increased 12.7 per cent over the same period last year.

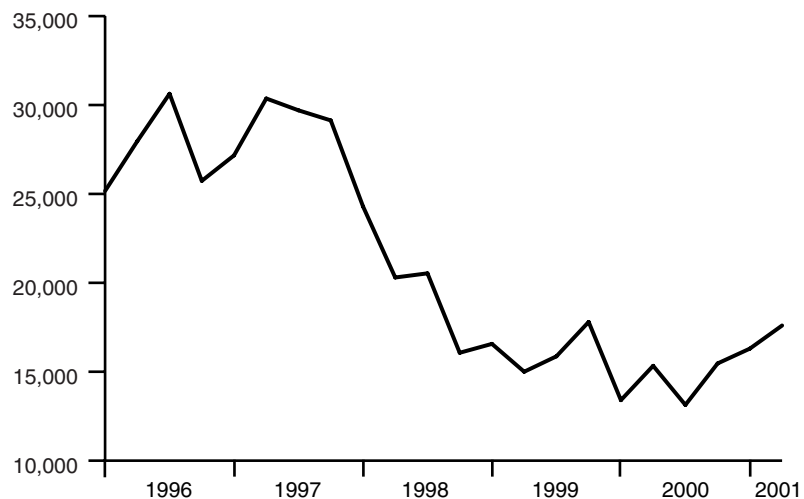
Because of weak population growth, British Columbia home construction has been slow for several years. However, housing starts are now showing some signs of improvement. Through June, total housing starts in the province are up 18 per cent from last year's levels and the upturn in residential building permits suggests a continuation of this trend.

The upturn in the housing market has affected not just starts but the market for existing homes as well. Multiple Listing Service data show that sales of existing homes are up 15.6 per cent through May compared to last year. All aspects of the housing market have benefited from monetary easing by the Bank of Canada, which has led to lower mortgage rates for homebuyers.

Statistics Canada's survey of Public and Private Investment suggests an increase in total British Columbia investment of 3.5 per cent for 2001 compared to 2000. This is a significant increase over the February survey, which showed a 1.2 per cent decline.

Chart 1.10 British Columbia Housing Starts

Units, seasonally-adjusted annual rates



Source: Canada Mortgage and Housing Corporation

Corporate pre-tax profits are projected to grow 5.0 per cent this year

Outlook: Corporate pre-tax profits are projected to grow 5.0 per cent this year, but remain flat next year as export prices decline. The expected decline in 2002 was more pronounced in the March forecast, despite a generally higher forecast of export prices. The relative improvement in the current forecast is a result of business and personal tax decreases. Overall, capital investment is projected to increase 3.3 per cent in real terms this year, with growth in machinery and equipment investment of 5.0 per cent. Non-residential construction investment is forecast to increase 3.2 per cent this year, while residential investment growth is projected at 4.2 per cent.

Reductions in business taxes are expected to stimulate business investment

Reductions in business taxes include the corporation income tax, the corporation capital tax and the social service tax on certain investment goods. These tax reductions are designed to generate a more competitive tax environment, which in turn will stimulate investment and the overall performance of the provincial economy. Investment is forecast to grow 6.2 per cent in 2002, spurred by higher machinery and equipment purchases and non-residential construction activity.

Improved economic performance and a more competitive tax environment should also help to draw people to British Columbia. In-migration is expected to rise to 26,900 this year and to 50,700 in 2002, as interprovincial flows return to the positive levels of the mid 1990's.

Housing starts are projected to rise to 15,600 units for 2001

In response to higher in-migration and some pent-up demand, housing starts are projected to rise to 15,600 units this year, increasing to 16,660 units in 2002.

Government Sector

Outlook: In inflation-adjusted terms, government spending at federal, provincial and local levels is expected to rise 1.6 per cent in 2001, primarily as a result of increased federal and provincial government spending.

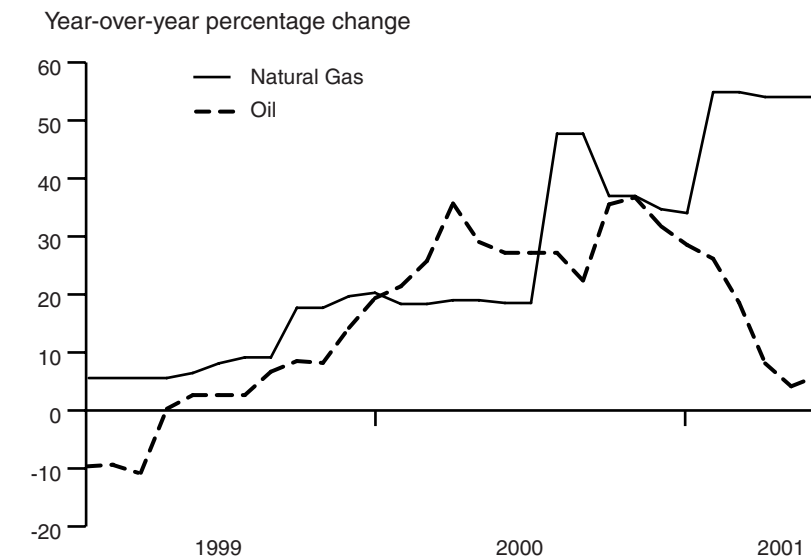
Inflation

During the first five months of the year, consumer price inflation in British Columbia averaged 1.9 per cent. Much of the increase in the overall price level can be attributed to higher energy prices, primarily natural gas and gasoline, as well as higher prices for fresh fruit and vegetables. Energy prices appear to be heading down after recent peaks but are expected to remain relatively high in the near term.

Inflation of 2.0 per cent is forecast in 2001

Outlook: The inflation rate is forecast to increase to 2.0 per cent in 2001, up from 1.7 per cent in the March forecast. As energy prices ease off next year, the inflation rate is projected to fall to 1.6 per cent.

Chart 1.11 British Columbia Consumer Price Inflation



Source: Statistics Canada

Forecast Uncertainties

The extent of the U.S. downturn is a major downside risk to the forecast.

The extent of the United States downturn and its impact on British Columbia and other provinces are the main risks to the forecast, in particular if the United States slowdown is longer than expected. The policy responses to the slowdown by the United States and Canadian governments, as well as the Federal Reserve Board and the Bank of Canada, are key to a stable recovery. Larger than expected interest rate reductions could provide additional short-term stimulus, though at a potential cost of increased medium term economic volatility.

The outlook for export prices provides another area of forecast risk due to the volatility of natural gas and electricity prices, and uncertainty surrounding the outcome of the softwood lumber dispute with the United States.

Deregulation and business tax cuts should lead to an improved investment climate . . .

Deregulation and business tax cuts should lead to an improved investment climate and rising business and consumer confidence in British Columbia. In combination, these provide upside potential to the forecast expansion of consumer spending and business investment.

The Medium Term Outlook 2003–2005

Real GDP growth in both Canada and the United States are forecast to average just under 3.0 per cent in the medium term. The combined impact of tax cuts and the recovery in Canada and the United States is expected to result in continued economic expansion in British Columbia.

Strong growth in investment coupled with robust consumer and residential sectors should give British Columbia solid economic growth over the 2003–2005 period. This economic activity in turn is expected to produce strong labour income growth and a much-improved performance on the corporate profit front. Job creation should remain on track and, coupled with renewed growth in the labour force, the unemployment rate is forecast to gradually decline to 6.5 per cent by the end of the period.

. . . and rising business and consumer confidence in British Columbia

The improved economic climate is expected to draw more people to the province, increasing the population by an average of 1.7 per cent a year. After lagging the country in the late 1990s, provincial real GDP is forecast to grow at an average rate of nearly 3.0 per cent a year for the period 2003–2005, equal to the forecast Canadian average for the period.

TABLE 1.3
BRITISH COLUMBIA ECONOMIC OUTLOOK

| | Forecast | | | |
|---|------------|------------------------|------------|------------|
| | 1999 | 2000 | 2001 | 2002 |
| Gross Domestic Product (current dollars; percentage change)..... | 4.2 | 5.8 ¹ | 3.6 | 3.4 |
| Real Gross Domestic Product (1992 dollars; percentage change)..... | 2.1 | 3.8¹ | 2.2 | 3.8 |
| Consumer Expenditure..... | 2.6 | 4.2 | 2.4 | 2.9 |
| Capital Investment..... | 8.0 | 2.8 | 3.3 | 6.2 |
| Government Expenditure..... | 2.0 | 1.4 | 1.6 | 1.7 |
| Exports of Goods and Services..... | 6.7 | 6.5 | 1.4 | 4.2 |
| Imports of Goods and Services..... | 5.4 | 5.3 | 2.3 | 3.5 |
| Inventory Investment (change in billions of 1992 dollars)..... | 0.2 | 0.1 | 0.3 | 0.5 |
| Minister's Economic Forecast Council — Real GDP growth..... | — | 3.0 | 2.1 | 3.2 |
| Population July 1 (percentage change)..... | 0.8 | 0.9 | 0.9 | 1.2 |
| Net In-migration..... | 24,512 | 17,892 | 26,900 | 50,700 |
| Interprovincial..... | -8,129 | -14,123 | -8,600 | 17,400 |
| International..... | 32,641 | 32,015 | 35,500 | 33,300 |
| Labour Force (thousands)..... | 2,079 | 2,100 | 2,132 | 2,195 |
| (percentage change)..... | 1.4 | 1.0 | 1.5 | 3.0 |
| Employment (thousands)..... | 1,906 | 1,949 | 1,978 | 2,038 |
| (percentage change)..... | 1.9 | 2.2 | 1.5 | 3.0 |
| Unemployment Rate (per cent)..... | 8.3 | 7.2 | 7.2 | 7.2 |
| Retail Sales (millions of current dollars)..... | 33,684 | 35,821 | 37,250 | 38,810 |
| (percentage change)..... | 1.9 | 6.3 | 4.0 | 4.2 |
| Labour Income ² (millions of current dollars)..... | 63,454 | 67,490 | 69,720 | 72,580 |
| (percentage change)..... | 2.4 | 6.4 | 3.3 | 4.1 |
| Corporate Pre-tax Profits (millions of current dollars)..... | 8,808 | 9,150 ¹ | 9,610 | 9,610 |
| (percentage change)..... | 23.7 | 3.9 | 5.0 | 0.0 |
| Housing Starts (units)..... | 16,309 | 14,418 | 15,600 | 16,660 |
| (percentage change)..... | -18.2 | -11.6 | 8.2 | 6.8 |
| Consumer Price Index (1992=100)..... | 111.2 | 113.3 | 115.5 | 117.4 |
| (percentage change)..... | 1.1 | 1.9 | 2.0 | 1.6 |
| BC Goods and Services Export Prices (Cdn \$; percentage change)..... | 2.3 | 2.6 | 3.0 | -2.1 |

¹ Ministry of Finance estimates.

² Wages, salaries and supplementary labour income.



TABLE 1.3
BRITISH COLUMBIA ECONOMIC OUTLOOK — *Continued*

| | Forecast | | | |
|--|----------|------|------|------|
| | 1999 | 2000 | 2001 | 2002 |
| Key Assumptions: | | | | |
| Economic Growth (per cent) | | | | |
| Canada..... | 4.5 | 4.7 | 2.0 | 2.5 |
| United States..... | 4.2 | 5.0 | 1.5 | 2.5 |
| Japan..... | 0.8 | 1.5 | -0.5 | 1.0 |
| Europe..... | 2.6 | 3.4 | 2.5 | 2.7 |
| Housing Starts (percentage change) | | | | |
| Canada..... | 9.1 | 1.1 | 4.6 | -0.6 |
| United States..... | 3.1 | -4.5 | 0.8 | 0.0 |
| Japan..... | 1.4 | 1.3 | -3.2 | 0.0 |
| Industrial Production (annual percentage change) | | | | |
| United States..... | 4.1 | 5.6 | 0.0 | 2.5 |
| Japan..... | 1.0 | 5.4 | -1.0 | 1.5 |
| Consumer Prices (annual percentage change) | | | | |
| Canada..... | 1.7 | 2.7 | 2.9 | 2.0 |
| United States..... | 2.2 | 3.4 | 3.1 | 2.6 |
| Canadian Interest Rates (per cent; annual average) | | | | |
| 3-month Treasury Bills..... | 4.7 | 5.5 | 4.4 | 4.5 |
| 10-year and over Government of Canada bonds..... | 5.7 | 5.9 | 5.8 | 6.1 |
| United States Interest Rates (per cent; annual average) | | | | |
| 3-month Treasury Bills..... | 4.6 | 5.8 | 3.6 | 3.5 |
| 10-year and over U.S. Government bonds..... | 6.1 | 6.0 | 5.2 | 5.7 |
| U.S. cents/Canadian dollar..... | 67.3 | 67.3 | 65.5 | 67.1 |
| Commodity Prices | | | | |
| Spruce-Pine-Fir Lumber (U.S. \$/1,000 board feet)..... | 342 | 255 | 260 | 250 |
| Pulp (U.S. \$/tonne)..... | 521 | 681 | 563 | 506 |
| Newsprint (U.S. \$/tonne)..... | 513 | 564 | 608 | 600 |
| Copper (U.S. \$/lb.)..... | 0.72 | 0.82 | 0.79 | 0.80 |
| Lead (U.S. \$/lb.)..... | 0.23 | 0.21 | 0.21 | 0.20 |
| Zinc (U.S. \$/lb.)..... | 0.49 | 0.51 | 0.46 | 0.55 |
| Gold (U.S. \$/oz.)..... | 279 | 279 | 270 | 300 |
| Natural Gas (Cdn. \$/gigajoule at WEI inlet)..... | 4.37 | 4.45 | 6.79 | 4.50 |
| Coal (U.S. \$/tonne) ² | 41 | 41 | 37 | 37 |

¹ Ministry of Finance estimates.

² Weighted average of metallurgical and thermal coal prices.

TABLE 1.4
CURRENT ECONOMIC STATISTICS

| | Latest Period | Year-to-Date Average | | | Change |
|--|---------------|----------------------|---------|---------|--------|
| | | 2000 | 2001 | | |
| BRITISH COLUMBIA | | | | | |
| LABOUR MARKET | | | | | |
| Employment (s.a., thousands)..... | June | 1,957 | 1,944 | 1,959 | 0.8% |
| Unemployment rate (s.a., per cent)..... | June | 7.0 | 7.0 | 7.0 | 0.0 |
| In-migration..... | Q1 | 8,238 | 5,548 | 8,238 | 2,690 |
| Interprovincial (persons)..... | Q1 | (2,406) | (3,215) | (2,406) | 809 |
| International (persons)..... | Q1 | 10,644 | 8,763 | 10,644 | 1,881 |
| Wages and salaries (s.a., \$ millions)..... | Mar | 5,135 | 4,884 | 5,122 | 4.9% |
| Average weekly wage rate..... | May | 650 | 631 | 647 | 2.5% |
| CONSUMER SECTOR | | | | | |
| Retail sales (s.a., \$ millions)..... | April | 3,072 | 2,926 | 3,090 | 5.6% |
| Car and truck sales (s.a., units)..... | May | 14,694 | 14,102 | 13,784 | -2.3% |
| Housing starts (all areas, s.a., annual rate)..... | June | 19,000 | 14,367 | 16,950 | 18.0% |
| Existing home sales (s.a.)..... | May | 5,644 | 4,477 | 5,174 | 15.6% |
| Building permits (s.a., \$ thousands)..... | May | 450 | 368 | 443 | 20.1% |
| British Columbia consumer price index (annual per cent change)..... | May | 2.5 | 1.4 | 1.9 | 0.5 |
| INDUSTRIAL ACTIVITY | | | | | |
| Foreign merchandise exports (s.a., \$ millions)..... | April | 3,350 | 2,597 | 3,128 | 20.4% |
| Manufacturing shipments (s.a., \$ millions)..... | May | 3,043 | 3,204 | 2,984 | -6.9% |
| Lumber production (thousand cubic metres)..... | April | 2,780 | 2,894 | 2,785 | -3.8% |
| Pulp and paper production (thousand tonnes)..... | May | 614 | 714 | 671 | -6.0% |
| Coal production (thousand tonnes)..... | April | 2,349 | 2,206 | 2,294 | 4.0% |
| Natural gas production (million cubic metres)..... | Mar | 2,282 | 2,014 | 2,160 | 7.3% |
| Copper production (million kg)..... | April | 21.5 | 21.9 | 22.7 | 3.7% |
| TOURISM | | | | | |
| Entries of U.S. and overseas residents (thousands)..... | April | 596 | 507 | 532 | 4.9% |
| B.C. Ferry passengers to/from Vancouver Island (thousands)..... | June | 1,026 | 795 | 801 | 0.8% |
| COMMODITY PRICES | | | | | |
| Lumber (U.S. \$/thousand board feet)..... | June | 297 | 301 | 243 | -19.3% |
| Pulp (U.S. \$/tonne)..... | June | 525 | 653 | 618 | -5.4% |
| Newsprint (U.S. \$/tonne)..... | June | 615 | 534 | 616 | 15.4% |
| Copper (U.S. \$/lb.)..... | June | 0.73 | 0.80 | 0.77 | -3.8% |
| Electricity (Mid Columbia, on-peak, US \$/Mwh)..... | June | 55.6 | 31.7 | 212.3 | 569.7% |
| B.C. export commodity price index (Cdn. \$ Index: 1992=100)..... | May | 145.0 | 139.1 | 143.0 | 2.8% |
| FINANCIAL DATA | | | | | |
| Canadian dollar (U.S. cents)..... | June | 65.60 | 68.10 | 65.17 | -2.93 |
| Canadian prime rate (per cent)..... | June | 6.25 | 6.99 | 6.80 | -0.19 |
| Canadian treasury bills (per cent)..... | June | 4.28 | 5.3 | 4.67 | -0.63 |
| Treasury bill spread — Canada minus U.S. (per cent)..... | June | 0.77 | -0.33 | 0.47 | 0.80 |

s.a. — seasonally adjusted.

THE ECONOMIC FORECAST COUNCIL SURVEY, JUNE 2001

Background

The Minister of Finance is required by the *Budget Transparency and Accountability Act* to seek the advice of the Economic Forecast Council (the Council) on the outlook for the provincial economy, and to present their forecasts at the same time as the *Estimates*.

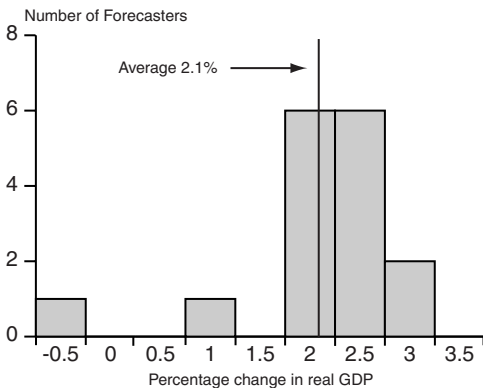
Since the January meeting of the Council there have been several changes in both the external economic situation and in fiscal policy in British Columbia. As a result, the Ministry of Finance surveyed the Council members to obtain a revised forecast.

Revised Forecast Council Survey Results for 2001

The Council, on average, expected British Columbia's economy to grow 2.1 per cent in 2001 (see chart below). This was down from the Council's average forecast of 2.4 per cent in January, consistent with a lower outlook for Canadian economic growth (from 2.9 per cent in January to 2.5 per cent in June).

The distribution of the forecasts also changed. In June, the frequency was equally distributed in the range of 1.75 to 2.75 per cent, whereas in January the forecasts were concentrated mainly in the 2.25 to 3.25 per cent range.

ECONOMIC GROWTH FORECASTS, 2001



Source: Economic Forecast Council, June 2001

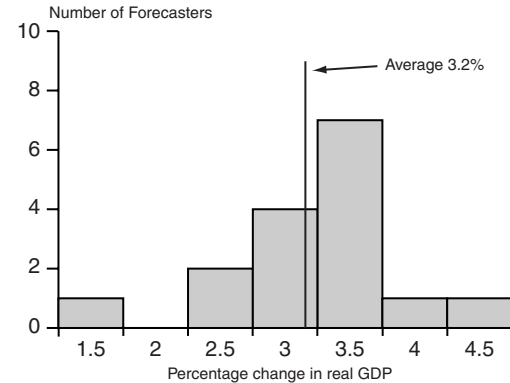
Revised Forecast Council Survey Results for 2002

The average forecast of the Council for British Columbia's economic growth in 2002 was 3.2 per cent (see second chart), up from 2.9 per cent forecast in January.

The distribution of the forecasts was concentrated in the range of 2.75 to 3.75 per cent, while in January they were more evenly distributed between the range of 2.25 to 3.75 per cent.

The Council's forecast for Canadian economic growth in 2002 was upgraded from 2.9 per cent in January to 3.4 per cent.

ECONOMIC GROWTH FORECASTS, 2002



Source: Economic Forecast Council, June 2001

Where are the Main Changes?

Some of the factors that contributed to the lower estimates of provincial economic growth for 2001 included:

- Slower employment growth; employment growth was revised down from 1.6 per cent in January to 1.2 per cent in June. In addition, the Council provided a lower forecast of wages and salaries, down from 4.7 per cent to 4.3 per cent growth.
- A lower business investment profile — from 3.0 per cent growth to 0.1 per cent growth.
- The forecast for housing starts in 2001 is up from 6.7 per cent growth in January to 10.4 per cent growth in June. Retail sales are down slightly from 4.0 per cent to 3.9 per cent growth.

British Columbia Forecasts

| Indicator | 2001 | | 2002 | |
|-----------------------------|------|------|------|------|
| | Jan. | June | Jan. | June |
| Real GDP (% chg.) | 2.4 | 2.1 | 2.9 | 3.2 |
| Employment (% chg.) | 1.6 | 1.2 | 2.0 | 2.1 |
| Unemployment rate (%) | 7.2 | 7.1 | 7.0 | 6.9 |
| Wages and Salaries (% chg.) | 4.7 | 4.2 | 5.7 | 5.5 |
| Pre-tax profits (% chg.) | 0.7 | -1.1 | 7.6 | 8.7 |
| Non-res inv. (% chg.) | 3.0 | 0.1 | 6.3 | 6.5 |
| Export prices (% chg.) | 1.3 | 5.2 | 3.1 | 3.4 |
| Housing starts (% chg.) | 6.7 | 10.4 | 10.1 | 13.2 |
| Retail sales (% chg.) | 4.0 | 3.9 | 4.9 | 5.3 |

Source: Economic Forecast Council, January and June 2001.

Many Council members expected the 25-per cent provincial personal income tax cut announced by the government in June to have a positive impact on provincial economic growth in 2001 and 2002. After these cuts were announced, nine Council members submitted revised forecasts to reflect the new fiscal policy direction. These revisions provided an increase to real GDP growth of 0.2 per cent in 2001 and

0.5 per cent in 2002 (averaged over the nine revisions). Prior to the tax-cut announcement, the Council's GDP forecast was 2.0 per cent for 2001 and 2.9 per cent for 2002.

Similarly, the general sense of improvement in the overall economy seen by the Council led to the upward revision of economic growth in 2002. This is shown by upgrades in employment growth, corporate profits, business investment and consumer spending.

Risks to the Outlook

Some Council members noted the following factors are among the risks to the provincial outlook:

- A prolonged U.S. economic slowdown and its world-wide impact;
- The possible strengthening of the Canadian dollar against the U.S. dollar;
- Further export price declines;
- The handling of native land claims.

Some of the Key Medium-term Outlook Issues

In addition to issues such as tax competitiveness and rising energy prices that were raised by the Council in their January meeting, there are a number of other issues the Council members believe pose risks to the medium-term B.C. economic outlook. They are:

- The resolution of the softwood lumber dispute with the U.S.;
- Net out-migration to the rest of Canada from B.C.;
- The disparity in urban and rural growth;
- The prospects for economic recovery in Japan.

Survey Respondents:

| | |
|------------------------|--|
| Paul Bowles | University of Northern British Columbia |
| John DeWolf | CCG Consulting |
| Don Drummond | Toronto Dominion Bank |
| Jock Finlayson | Business Council of British Columbia |
| Michael Goldberg | University of British Columbia |
| Peter Hall | Conference Board of Canada |
| Warren Jestin | Bank of Nova Scotia |
| Dale Orr | WEFA Canada |
| Tim O'Neill | Bank of Montreal |
| Helmut Pastrick | Credit Union Central of British Columbia |
| George Pedersson | G.A. Pedersson & Associates |
| Alister Smith | Canadian Imperial Bank of Commerce |
| Carl Sonnen | Informetrica Ltd. |
| Ernie Stokes | Stokes Economic Consulting |
| William Tharp | M. Murenbeeld & Associates |
| Craig Wright | Royal Bank |

Council members absent from the survey:

| | |
|----------------------|--------------------------------|
| John Helliwell | University of British Columbia |
| David Park | Vancouver Board of Trade |

| Forecast Survey in June | | | | |
|---|---|--|---|---|
| All figures are based on annual averages | 2001 Range of Participants' Opinions | 2001 Average of Participants' Opinion¹ | 2002 Range of Participants' Opinions | 2002 Average Participants' Opinion¹ |
| Canada | | | | |
| — Real GDP (% change) | 1.0-3.0 | 2.5 (16) | 2.5-4.0 | 3.4 (16) |
| — 3-month interest rates (%) | 3.8-6.0 | 4.6 (14) | 3.7-6.0 | 4.7 (14) |
| — 10-year and over interest rates (%) | 5.2-6.5 | 5.7 (14) | 4.9-6.4 | 5.7 (14) |
| — Exchange rate (US cent/Cdn. \$) | 64.6-70.0 | 66.0 (14) | 61.2-72.0 | 67.7 (14) |
| British Columbia | | | | |
| — Real GDP (% change) | -0.5-3.0 | 2.1 (16) | 1.5-4.6 | 3.2 (16) |
| — Employment (% change) | -0.5-2.5 | 1.2 (15) | 0.7-3.0 | 2.1 (15) |
| — Unemployment rate (%) | 6.5-7.5 | 7.1 (15) | 5.7-7.4 | 6.9 (15) |
| — Total wage and salary income (% change) | 2.3-7.0 | 4.2 (9) | 3.0-7.5 | 5.5 (9) |
| — Corporate pre-tax profits (% change) | -15-8.0 | -1.1 (10) | -1.1-15.0 | 8.7 (10) |
| — Real business non-residential Investment (% change) | -8.0-5.8 | 0.1 (11) | 3.0-15.0 | 6.5 (11) |
| — Goods and services export price deflator (% change) | 0.0-20.0 | 5.2 (5) | 1.5-5.0 | 3.4 (5) |
| — Housing starts (% change) | 0.0-30.0 | 10.4 (15) | 3.6-39.0 | 13.2 (15) |
| — Retail sales (% change) | 1.6-7.0 | 3.9 (14) | 0.0-8.0 | 5.3 (14) |
| ¹ Based on responses from participants providing forecasts. Number of respondents is shown in parentheses. | | | | |

Part 4: SUPPLEMENTARY TABLES

SUPPLEMENTARY TABLE 1 — FIVE-YEAR ECONOMIC FORECAST

1.1 GROSS DOMESTIC PRODUCT — BRITISH COLUMBIA AND CANADA

July 2001

| | Actual | | | Forecast | | | | |
|--|---------|---------|----------------------|-----------|-----------|-----------|-----------|-----------|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| BRITISH COLUMBIA: | | | | | | | | |
| Gross Domestic Product at Market Prices: | | | | | | | | |
| — Current Dollar (\$ million)..... | 113,945 | 118,783 | 125,690 ^e | 130,190 | 134,640 | 141,370 | 148,010 | 153,600 |
| (% change)..... | 0.3 | 4.2 | 5.8 | 3.6 | 3.4 | 5.0 | 4.7 | 3.8 |
| — Real (1992 \$ million)..... | 102,217 | 104,323 | 108,290 ^e | 110,620 | 114,860 | 118,700 | 122,260 | 125,370 |
| (% change)..... | 0.9 | 2.1 | 3.8 | 2.2 | 3.8 | 3.3 | 3.0 | 2.5 |
| — GDP Deflator..... | 111.5 | 113.9 | 116.1 ^e | 117.7 | 117.2 | 119.1 | 121.1 | 122.5 |
| (% change)..... | -0.6 | 2.1 | 2.0 | 1.4 | -0.4 | 1.6 | 1.7 | 1.2 |
| Real GDP Per Capita (1992 \$) ... | 25,567 | 25,899 | 26,647 ^e | 26,988 | 27,690 | 28,155 | 28,507 | 28,759 |
| (% change)..... | 0.0 | 1.3 | 2.9 | 1.3 | 2.6 | 1.7 | 1.2 | 0.9 |
| Real GDP Per Employed Person (% change)..... | 0.9 | 0.1 | 1.5 ^e | 0.6 | 0.8 | 0.1 | 0.1 | 0.0 |
| Unit Labour Cost* (% change)..... | 1.1 | 0.4 | 2.5 ^e | 1.1 | 0.3 | 1.5 | 1.7 | 1.7 |
| CANADA: | | | | | | | | |
| Gross Domestic Product at Market Prices: | | | | | | | | |
| — Current Dollar (\$ million) | 901,805 | 957,911 | 1,038,794 | 1,082,580 | 1,128,510 | 1,175,240 | 1,229,870 | 1,287,030 |
| (% change)..... | 2.7 | 6.2 | 8.4 | 4.2 | 4.2 | 4.1 | 4.6 | 4.6 |
| — Real (1992 \$ million)..... | 842,002 | 880,254 | 921,485 | 939,910 | 963,410 | 987,500 | 1,017,130 | 1,047,640 |
| (% change)..... | 3.3 | 4.5 | 4.7 | 2.0 | 2.5 | 2.5 | 3.0 | 3.0 |
| — GDP Deflator Index (1992=100)..... | 107.1 | 108.8 | 112.7 | 115.2 | 117.1 | 119.0 | 120.9 | 122.9 |
| (% change)..... | -0.6 | 1.6 | 3.6 | 2.2 | 1.7 | 1.6 | 1.6 | 1.6 |
| Real GDP Per Capita (1992 \$) | 27,837 | 28,867 | 29,967 | 30,318 | 30,822 | 31,343 | 32,034 | 32,747 |
| (% change)..... | 2.4 | 3.7 | 3.8 | 1.2 | 1.7 | 1.7 | 2.2 | 2.2 |
| Real GDP Per Employed Person (% change)..... | 0.6 | 1.7 | 2.0 | 0.4 | 0.8 | 0.5 | 1.0 | 1.0 |

^e: estimate

* Unit labour cost is the nominal cost of labour incurred to produce one unit of real output.

SUPPLEMENTARY TABLE 1 — FIVE-YEAR ECONOMIC FORECAST

1.2 COMPONENTS OF BRITISH COLUMBIA REAL GDP AT MARKET PRICES

July 2001

| | Actual | | | Forecast | | | | |
|---|--------------|--------------|-------------------|--------------|--------------|--------------|--------------|--------------|
| | 1998 | 1999 | 2000 ^e | 2001 | 2002 | 2003 | 2004 | 2005 |
| Personal Expenditure on | | | | | | | | |
| Goods and Services (1992 \$ billion)..... | 67.0 | 68.7 | 71.6 | 73.3 | 75.4 | 77.7 | 79.6 | 80.8 |
| (% change)..... | 1.3 | 2.6 | 4.2 | 2.4 | 2.9 | 3.0 | 2.4 | 1.6 |
| — Goods (1992 \$ billion)..... | 29.1 | 29.9 | 31.4 | 32.2 | 33.1 | 34.2 | 34.9 | 35.3 |
| (% change)..... | 1.1 | 2.7 | 4.9 | 2.6 | 2.9 | 3.2 | 2.3 | 0.9 |
| — Services (1992 \$ billion)..... | 37.8 | 38.8 | 40.3 | 41.1 | 42.3 | 43.5 | 44.6 | 45.6 |
| (% change)..... | 1.4 | 2.6 | 3.8 | 2.2 | 2.9 | 2.8 | 2.5 | 2.2 |
| Government Current Expenditures | | | | | | | | |
| on Goods and Services (1992 \$ billion)..... | 19.9 | 20.3 | 20.6 | 20.9 | 21.2 | 21.7 | 22.2 | 22.7 |
| (% change)..... | 1.5 | 2.0 | 1.4 | 1.6 | 1.7 | 2.2 | 2.3 | 2.2 |
| Investment in Fixed Capital (1992 \$ billion)..... | 21.6 | 23.3 | 24.0 | 24.7 | 26.3 | 27.8 | 29.2 | 30.4 |
| (% change)..... | -5.4 | 8.0 | 2.8 | 3.3 | 6.2 | 6.0 | 5.0 | 3.9 |
| Final Domestic Demand* (1992 \$ billion)..... | 108.4 | 112.3 | 116.1 | 119.0 | 123.0 | 127.2 | 131.0 | 133.9 |
| (% change)..... | -0.1 | 3.6 | 3.4 | 2.4 | 3.4 | 3.5 | 3.0 | 2.2 |
| Net Exports of Goods | | | | | | | | |
| and Services (1992 \$ billion)..... | -7.9 | -7.8 | -7.7 | -8.3 | -8.3 | -8.7 | -9.0 | -8.6 |
| — Exports of Goods and Services | | | | | | | | |
| (1992 \$ billion)..... | 42.3 | 45.1 | 48.0 | 48.7 | 50.7 | 52.7 | 54.7 | 56.5 |
| (% change)..... | 4.1 | 6.7 | 6.5 | 1.4 | 4.2 | 3.9 | 3.8 | 3.4 |
| — Imports of Goods and Services | | | | | | | | |
| (1992 \$ billion)..... | 50.2 | 52.9 | 55.7 | 57.0 | 59.0 | 61.4 | 63.6 | 65.2 |
| (% change)..... | 2.7 | 5.4 | 5.3 | 2.3 | 3.5 | 4.1 | 3.6 | 2.4 |
| Inventory Change (1992 \$ billion)..... | 1.3 | 0.2 | 0.1 | 0.3 | 0.5 | 0.6 | 0.6 | 0.5 |
| Statistical Discrepancy (1992 \$ billion)..... | 0.4 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 |
| Real GDP at Market Prices** (1992 \$ billion)..... | 102.2 | 104.3 | 108.3 | 110.6 | 114.9 | 118.7 | 122.3 | 125.4 |
| (% change)..... | 0.9 | 2.1 | 3.8 | 2.2 | 3.8 | 3.3 | 3.0 | 2.5 |

^e: estimate

* Final domestic demand is the sum of personal expenditures, government expenditures and investment in fixed capital.

** Real gross domestic product at market prices is the sum of final domestic demand, net exports, inventory changes and statistical discrepancy.

SUPPLEMENTARY TABLE 1 — FIVE-YEAR ECONOMIC FORECAST

1.3 INCOME AND EXPENDITURE

July 2001

| | Actual | | | Forecast | | | | |
|---|--------|---------|--------------------|----------|---------|---------|---------|---------|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Average Weekly Wage Rate* (\$) | 618 | 625 | 637 | 650 | 661 | 675 | 688 | 702 |
| (% change) | 1.3 | 1.1 | 1.9 | 2.0 | 1.8 | 2.0 | 2.0 | 2.0 |
| Labour Income** (\$ million) | 61,947 | 63,454 | 67,490 | 69,720 | 72,580 | 76,140 | 79,720 | 83,150 |
| (% change) | 2.1 | 2.4 | 6.4 | 3.3 | 4.1 | 4.9 | 4.7 | 4.3 |
| Personal Income (\$ million) | 97,817 | 100,212 | 105,520 | 108,900 | 113,150 | 117,900 | 122,850 | 127,640 |
| (% change) | 2.3 | 2.4 | 5.3 | 3.2 | 3.9 | 4.2 | 4.2 | 3.9 |
| Corporate Profits Before Taxes (\$ million) | 7,123 | 8,808 | 9,150 ^e | 9,610 | 9,610 | 10,570 | 11,630 | 11,630 |
| (% change) | -10.0 | 23.7 | 3.9 | 5.0 | 0.0 | 10.0 | 10.0 | 0.0 |
| Retail Sales (\$ million) | 33,049 | 33,684 | 35,821 | 37,250 | 38,810 | 40,630 | 42,170 | 43,180 |
| (% change) | -2.0 | 1.9 | 6.3 | 4.0 | 4.2 | 4.7 | 3.8 | 2.4 |
| Housing Starts | 19,931 | 16,309 | 14,418 | 15,600 | 16,660 | 21,840 | 23,280 | 23,540 |
| (% change) | -32.1 | -18.2 | -11.6 | 8.2 | 6.8 | 31.1 | 6.6 | 1.1 |
| Residential Investment*** (\$ million) | 7,893 | 7,473 | 7,570 ^e | 8,120 | 8,780 | 9,440 | 9,920 | 10,160 |
| (% change) | -11.6 | -5.3 | 1.3 | 7.2 | 8.1 | 7.5 | 5.1 | 2.4 |
| Constant Dollar Growth Rates: | | | | | | | | |
| Average Weekly Earnings | 1.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.4 | 0.4 | 0.4 |
| Labour Income | 1.8 | 1.3 | 4.4 | 1.3 | 2.5 | 3.2 | 3.1 | 2.7 |
| Personal Income | 2.0 | 1.3 | 3.4 | 1.2 | 2.3 | 2.6 | 2.6 | 2.3 |
| Corporate Profits | -10.2 | 22.3 | 2.0 | 2.9 | -1.6 | 8.3 | 8.3 | -1.6 |
| Retail Sales | -2.3 | 0.8 | 4.4 | 2.0 | 2.6 | 3.1 | 2.2 | 0.8 |
| Residential Investment | -10.3 | -6.4 | 0.2 | 4.2 | 5.6 | 6.4 | 3.8 | 1.2 |
| B.C. Consumer Price Index (1992 = 100) | 110.0 | 111.2 | 113.3 | 115.5 | 117.4 | 119.2 | 121.2 | 123.1 |
| (% change) | 0.3 | 1.1 | 1.9 | 2.0 | 1.6 | 1.6 | 1.6 | 1.6 |

^e: estimate

* Includes overtime.

** Domestic basis; wages, salaries and supplementary labour income.

*** Includes renovations and improvements.

Supplementary Tables

SUPPLEMENTARY TABLE 1 — FIVE-YEAR ECONOMIC FORECAST

1.4 LABOUR MARKET INDICATORS

July 2001

| | Actual | | | Forecast | | | | |
|---|---------|--------|------------------|----------|--------|--------|--------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Population (on July 1) (000s)..... | 3,998 | 4,028 | 4,064 | 4,099 | 4,148 | 4,216 | 4,289 | 4,359 |
| (% change)..... | 1.0 | 0.8 | 0.9 | 0.9 | 1.2 | 1.6 | 1.7 | 1.6 |
| Labour Force Population, 15+ Years (000s)..... | 3,159 | 3,193 | 3,238 | 3,287 | 3,343 | 3,409 | 3,481 | 3,551 |
| (% change)..... | 1.5 | 1.1 | 1.4 | 1.5 | 1.7 | 2.0 | 2.1 | 2.0 |
| Net In-Migration | | | | | | | | |
| — International** | 28,687 | 32,641 | 32,015 | 35,500 | 33,300 | 34,600 | 34,900 | 35,400 |
| — Interprovincial..... | -17,521 | -8,129 | -14,123 | -8,600 | 17,400 | 19,800 | 21,500 | 22,200 |
| — Total | 11,166 | 24,512 | 17,892 | 26,900 | 50,700 | 54,400 | 56,400 | 57,600 |
| Participation Rate* (%)..... | 64.9 | 65.1 | 64.9 | 64.9 | 65.7 | 66.2 | 66.5 | 66.8 |
| Labour Force (000s)..... | 2,051 | 2,079 | 2,100 | 2,132 | 2,195 | 2,257 | 2,316 | 2,373 |
| (% change)..... | 0.5 | 1.4 | 1.0 | 1.5 | 3.0 | 2.8 | 2.6 | 2.5 |
| Employment (000s)..... | 1,870 | 1,906 | 1,949 | 1,978 | 2,038 | 2,103 | 2,164 | 2,218 |
| (% change)..... | 0.1 | 1.9 | 2.2 | 1.5 | 3.0 | 3.2 | 2.9 | 2.5 |
| Unemployment Rate (%)..... | 8.8 | 8.3 | 7.2 | 7.2 | 7.2 | 6.8 | 6.6 | 6.5 |
| Real GDP Per Employed Person (% change)..... | 0.9 | 0.1 | 1.5 ^e | 0.6 | 0.8 | 0.1 | 0.1 | 0.0 |

^e: estimate

* Percentage of the population 15 years of age and over in the labour force.

** International includes net non-permanent residents and returning emigrants less net temporary abroad.

SUPPLEMENTARY TABLE 1 — FIVE-YEAR ECONOMIC FORECAST

1.5 BRITISH COLUMBIA EMPLOYMENT BY SECTOR

July 2001

| Goods Sector Employment (000s) | Actual | | Forecast | | Service Sector Employment (000s) | Actual | | Forecast | |
|------------------------------------|------------|------------|------------|------------|---|--------------|--------------|--------------|--------------|
| | 1999 | 2000 | 2001 | 2002 | | 1999 | 2000 | 2001 | 2002 |
| Forestry & Logging..... | 30 | 37 | 30 | 30 | Transportation and Warehousing..... | 118 | 114 | 113 | 118 |
| Other Primary..... | 47 | 48 | 45 | 48 | Trade..... | 309 | 303 | 307 | 315 |
| Manufacturing..... | 192 | 205 | 210 | 218 | Finance, Insurance & Real Estate..... | 120 | 120 | 124 | 129 |
| — Wood Products..... | 42 | 47 | 54 | 54 | Community, Business & Personal Services..... | 873 | 907 | 935 | 966 |
| — Paper & Allied..... | 22 | 18 | 15 | 14 | Public Administration..... | 90 | 90 | 91 | 93 |
| — Other Mfg..... | 128 | 141 | 141 | 150 | Total Service Industries..... | 1,510 | 1,534 | 1,570 | 1,621 |
| Construction..... | 115 | 113 | 112 | 109 | (% change)..... | 3.3 | 1.6 | 2.3 | 3.2 |
| Utilities..... | 12 | 11 | 12 | 13 | Total Employment..... | 1,906 | 1,949 | 1,979 | 2,039 |
| Total Goods Industries | 397 | 414 | 409 | 418 | (% change)..... | 1.9 | 2.2 | 1.5 | 3.0 |
| (% change)..... | -3.0 | 4.5 | -1.3 | 2.2 | | | | | |

SUPPLEMENTARY TABLE 1 — FIVE-YEAR ECONOMIC FORECAST

1.6 ECONOMIC ASSUMPTIONS

July 2001

| | Actual | | | Forecast | | | | |
|---|---------|---------|---------|----------|---------|---------|---------|---------|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Real GDP (billions) | | | | | | | | |
| Canada (1992 \$) | 842.0 | 880.3 | 921.5 | 939.9 | 963.4 | 987.5 | 1017.1 | 1047.6 |
| (% change)..... | 3.3 | 4.5 | 4.7 | 2.0 | 2.5 | 2.5 | 3.0 | 3.0 |
| U.S.A. (1996 U.S.\$; chain-weighted)..... | 8,516 | 8,876 | 9,319 | 9,459 | 9,695 | 9,937 | 10,232 | 10,534 |
| (% change)..... | 4.4 | 4.2 | 5.0 | 1.5 | 2.5 | 2.5 | 3.0 | 3.0 |
| Japan (1995 Yen)..... | 518,358 | 522,278 | 530,290 | 527,600 | 532,900 | 540,900 | 549,000 | 557,200 |
| (% change)..... | -1.1 | 0.8 | 1.5 | -0.5 | 1.0 | 1.5 | 1.5 | 1.5 |
| Germany (1995 DM)..... | 3,674 | 3,731 | 3,841 | 3,914 | 4,012 | 4,100 | 4,190 | 4,283 |
| (% change)..... | 2.1 | 1.6 | 3.0 | 1.9 | 2.5 | 2.2 | 2.2 | 2.2 |
| Europe* (% change)..... | 2.8 | 2.6 | 3.4 | 2.5 | 2.7 | 2.5 | 2.5 | 2.5 |
| Housing Starts (000s)** | | | | | | | | |
| Canada..... | 137 | 150 | 152 | 159 | 158 | 160 | 160 | 160 |
| (% change)..... | -6.5 | 9.1 | 1.1 | 4.6 | -0.6 | 1.4 | 0.0 | 0.0 |
| U.S.A. | 1,617 | 1,667 | 1,592 | 1,605 | 1,605 | 1,605 | 1,605 | 1,605 |
| (% change)..... | 9.7 | 3.1 | -4.5 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| Japan..... | 1,198 | 1,215 | 1,230 | 1,190 | 1,190 | 1,200 | 1,200 | 1,200 |
| (% change)..... | -13.6 | 1.4 | 1.3 | -3.2 | 0.0 | 0.8 | 0.0 | 0.0 |
| Consumer Price Index | | | | | | | | |
| Canada (1992=100) | 108.6 | 110.5 | 113.5 | 116.8 | 119.1 | 121.5 | 123.9 | 126.4 |
| (% change)..... | 0.9 | 1.7 | 2.7 | 2.9 | 2.0 | 2.0 | 2.0 | 2.0 |
| U.S.A. (1982-1984=100)..... | 163.0 | 166.6 | 172.2 | 177.5 | 182.2 | 186.9 | 191.7 | 196.7 |
| (% change)..... | 1.6 | 2.2 | 3.4 | 3.1 | 2.6 | 2.6 | 2.6 | 2.6 |

* European Union less Luxembourg, plus Austria, Finland, Iceland, Norway, Sweden, Switzerland, Turkey, and former Yugoslavia.

** British Columbia housing starts appear in Table 3.

SUPPLEMENTARY TABLE 1 — FIVE-YEAR ECONOMIC FORECAST

1.7 FINANCIAL MARKETS

July 2001

| | Actual | | | Forecast | | |
|---|--------|------|------|----------|------|-----------|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003-2005 |
| Canadian Interest Rates (%) | | | | | | |
| 3-Month Treasury Bills..... | 4.7 | 4.7 | 5.5 | 4.4 | 4.5 | 5.0 |
| Long-Term Government Bonds (10 years and over)..... | 5.6 | 5.7 | 5.9 | 5.8 | 6.1 | 6.5 |
| United States Interest Rates (%) | | | | | | |
| 3-Month Treasury Bills..... | 4.8 | 4.6 | 5.8 | 3.6 | 3.5 | 4.0 |
| Long-Term Government Bonds (10 years and over)..... | 5.7 | 6.1 | 6.0 | 5.2 | 5.7 | 5.8 |
| Real Interest Rates* (%) | | | | | | |
| Canadian Treasury Bills..... | 3.8 | 3.0 | 3.7 | 2.0 | 2.0 | 3.0 |
| U.S. Treasury Bills..... | 3.2 | 2.4 | 3.4 | 0.7 | 0.5 | 1.4 |
| Canadian Long-Term Bonds..... | 4.7 | 4.0 | 4.1 | 3.4 | 3.6 | 4.5 |
| U.S. Long-Term Bonds..... | 4.1 | 3.9 | 3.6 | 2.3 | 2.7 | 3.2 |
| Exchange Rate (U.S. cents/Canadian \$) | 67.4 | 67.3 | 67.3 | 65.5 | 67.1 | 69.6 |

* Real interest rates are nominal interest rates minus expected inflation. The real interest rates in this table are based on actual and forecast inflation rates shown in Table 6.

SUPPLEMENTARY TABLE 1 — FIVE-YEAR ECONOMIC FORECAST

1.8 SELECTED GROWTH RATES

July 2001

| | Actual | | | Forecast | | | | |
|---------------------------------|--------|------|------------------|----------|------|------|------|------|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| BRITISH COLUMBIA (%) | | | | | | | | |
| Real GDP | 0.9 | 2.1 | 3.8 ^e | 2.2 | 3.8 | 3.3 | 3.0 | 2.5 |
| Consumer Price Index | 0.3 | 1.1 | 1.9 | 2.0 | 1.6 | 1.6 | 1.6 | 1.6 |
| Labour Force | 0.5 | 1.4 | 1.0 | 1.5 | 3.0 | 2.8 | 2.6 | 2.5 |
| Employment | 0.1 | 1.9 | 2.2 | 1.5 | 3.0 | 3.2 | 2.9 | 2.5 |
| Unemployment Rate (level) | 8.8 | 8.3 | 7.2 | 7.2 | 7.2 | 6.8 | 6.6 | 6.5 |
| Average Weekly Earnings | 1.3 | 1.1 | 1.9 | 2.0 | 1.8 | 2.0 | 2.0 | 2.0 |
| Personal Income | 2.3 | 2.4 | 5.3 | 3.2 | 3.9 | 4.2 | 4.2 | 3.9 |
| Retail Sales | -2.0 | 1.9 | 6.3 | 4.0 | 4.2 | 4.7 | 3.8 | 2.4 |
| Corporate Profits | -10.0 | 23.7 | 3.9 ^e | 5.0 | 0.0 | 10.0 | 10.0 | 0.0 |
| CANADA (%) | | | | | | | | |
| Real GDP | 3.3 | 4.5 | 4.7 | 2.0 | 2.5 | 2.5 | 3.0 | 3.0 |
| Consumer Price Index | 0.9 | 1.7 | 2.7 | 2.9 | 2.0 | 2.0 | 2.0 | 2.0 |
| Employment | 2.7 | 2.8 | 2.6 | 1.6 | 1.7 | 2.0 | 2.0 | 2.0 |
| Population (on July 1) | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Labour Income | 4.7 | 5.1 | 7.2 | 5.0 | 4.3 | 5.0 | 5.0 | 5.0 |
| U.S.A. (%) | | | | | | | | |
| Real GDP | 4.4 | 4.2 | 5.0 | 1.5 | 2.5 | 2.5 | 3.0 | 3.0 |
| Consumer Price Index | 1.6 | 2.2 | 3.4 | 3.1 | 2.6 | 2.6 | 2.6 | 2.6 |

^e: estimate